

Message Text

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ACTION NEA-10

INFO OCT-01 ISO-00 ERDA-05 AID-05 CEA-01 CIAE-00 CIEP-01

COME-00 DODE-00 EB-07 FEAE-00 FPC-01 H-01 INR-07

INT-05 L-03 NSAE-00 NSC-05 OMB-01 PM-04 USIA-06

OES-06 SP-02 SS-15 STR-04 TRSE-00 ACDA-07 /097 W

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R 101320Z JAN 77

FM AMEMBASSY TEHRAN

TO SECSTATE WASHDC 773

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E.O. 11652: N/A

TAGS: ENRG IR

SUBJ: SECONDARY RECOVERY PROGRAM

REF: 76 STATE 312229

1. IRAN'S OIL FIELD SECONDARY RECOVERY AND RELATED PROGRAMS WILL NOT BE IMPLEMENTED AS SOON OR ON AS LARGE A SCALE AS ANTICIPATED A YEAR AGO. HOWEVER, WHETHER MEASURED BY COSTS OR BY VOLUMES OF GAS TO BE INJECTED INTO OIL RESERVOIRS, CURRENT PLANS ARE STILL VERY AMBITIOUS.

2. FOLLOWING TABLE OUTLINING OSCO'S CURRENT GAS INJECTION PROGRAM THROUGH 1983 (I.E. QUANTITY OF GAS TO BE INJECTED EACH YEAR) PROVIDED GOOD OVERVIEW OF MAGNITUDE OF JOB UNDERWAY. ALL FIGURES ARE IN MILLIONS OF STANDARD CUBIC FEET PER DAY (SCFD).

	ASSOCIATED GAS	KNOWN DOME	PARS AND DALAN	UNSPEC. FIELDS	TOTAL TOTAL
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1977	---	1,250	---	---	1,250
1978	239	1,728	---	---	1,967

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1979	597	3,288	---	---	3,885
1980	1,416	3,138	2,283	---	6,837
1981	1,245	3,528	2,308	---	7,081
1982	1,217	3,528	2,900	640	8,285
1983	1,207	3,528	2,500	1,164	8,399

3. PREVIOUS PLAN, WHICH COVERED PERIOD THROUGH 1982, CALLED FOR

INJECTION OF ABOUT 14 BILLION SCFD IN 1982 AS COMPARED WITH CURRENT PLANS 8.4 BILLION SCFD IN 1983. REDUCTION IN SCOPE OF PROGRAM AS WELL AS DELAYS IN IMPLEMENTATION ATTRIBUTABLE TO

- A. UNCERTAINTIES ABOUT SOURCE OF REQUIRED GAS,
- B. LOGISTIC BOTTLENECKS
- C. FINANCIAL AND MANPOWER LIMITATIONS, AND
- D. BUREAUCRATIC INEFFICIENCY.

EACH OF THESE CONSTRAINTS HAS BEEN BINDING AT VARIOUS TIMES ON VARIOUS FACETS OF THE SECONDARY RECOVERY PROGRAM SO IT IS IMPOSSIBLE TO SAY WHICH ARE THE MOST IMPORTANT. HOWEVER, KNOWLEDGEABLE OSCO OFFICIALS BELIEVE THAT CURRENT PLAN CAN BE IMPLEMENTED WITH NO MORE THAN, PERHAPS, AN ADDITIONAL ONE YEAR DELAY.

4. INSTALLATION OF CRUDE DESALTING FACILITIES IS ANOTHER IMPORTANT PROGRAM THAT IS RUNNING BEHIND SCHEDULE. THESE INSTALLATIONS, WHICH ARE DESIGNED TO INITIALLY EXPAND AND SUBSEQUENTLY TO MAINTAIN CRUDE OIL PRODUCTIVE CAPACITY, WERE ORIGINALLY PLANNED TO BEGIN COMING ON STREAM IN 1975. HOWEVER, THE FIRST UNITS WILL NOT ENTER SERVICE UNTIL LATER THIS YEAR. PRESENT PLANS CALL FOR THE CONSTRUCTION OF DESALTING FACILITIES WITH A CAPACITY OF 2.9 MILLION BPD OF WATER-CUT CRUDE BY 1979.

5. PROGRAMS ON THE SCALE OF THOSE BEING CARRIED OUT IN SOUTHERN OILFIELDS ARE NOT INEXPENSIVE. IN 1976, OSCO'S CAPITAL INVESTMENT BUDGET WAS \$1.3 BILLION AND WHEN ALL BILLS ARE PAID \$1.1 - \$1.2 BILLION WILL HAVE BEEN SPENT. OSCO'S PRESENT PLANS, WHICH LIMITED OFFICIAL USE

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HAVE THE APPROVAL OF NIOC, CALL FOR THE FOLLOWING MAJOR PROJECT CAPITAL EXPENDITURES: 1977 (\$1.6 BILLION), 1978 (\$1.9 BILLION), 1979 (\$2.1 BILLION), 1980 (\$1.3 BILLION), 1981 (\$1.0 BILLION), AND 1982 (0.9 BILLION). THE MAJORITY OF THESE INVESTMENTS ARE REQUIRED FOR THE GAS INJECTION PROGRAM. NOTE THAT FIGURES ABOVE ARE FOR ACTUAL EXPENDITURE AND NOT MERELY OBLIGATION.

6. GOI AND NIOC RECOGNIZE THAT THEY WILL HAVE TO ASSUME FINANCIAL RESPONSIBILITY FOR MOST AND PERHAPS ALL (DEPENDING ON OUTCOME OF FUTURE NEGOTIATIONS OVER NEW OR REVISED NIOC/CONSORTIUM AGREEMENT) OF THE MASSIVE INVESTMENTS REQUIRED TO MAINTAIN EFFECTIVE PRODUCTIVE CAPACITY IN KHUZESTAN OIL FIELDS INTO NEXT DECADE AT 6 MILLION PLUS BPD. AS DEPARTMENT IS AWARE, CONSORTIUM FOR PAST YEAR HAS BEEN EXCUSED FROM REQUIREMENT LEVIED BY 1973 SALES AND PURCHASE AGREEMENT TO PROVIDE INTEREST FREE LOANS TO NIOC FOR 40 PERCENT OF THE FUNDS NEEDED BY NIOC FOR ANNUAL BUDGETED CAPITAL EXPENDITURE. AGREEMENT BY NIOC TO THIS CHANGE IS AT LEAST TACIT ACCEPTANCE THAT CONSORTIUM SHOULD NOT, OR AT LEAST, CANNOT BE EXPECTED TO MAINTAIN PREVIOUS LEVEL OF SUPPORT FOR

CAPITAL INVESTMENT PROGRAMS.

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OES-06 SP-02 SS-15 STR-04 TRSE-00 ACDA-07 /097 W

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7. EVEN THE AD HOC ARRANGEMENT INSTITUTED A YEAR AGO WHICH PERMITS THE CONSORTIUM TO PAY INTEREST TO NIOC IN LIEU OF NORMAL CONTRIBUTION TO CAPITAL INVESTMENT BUDGET IS BECOMING A FINANCIAL OBLIGATION OF SUFFICIENT MAGNITUDE THAT THE CONSORTIUM CAN SOON BE EXPECTED TO SEEK ADDITIONAL RELIEF. INTEREST PAYMENTS ON THE 40 PERCENT OF NIOC'S BUDGETED CAPITAL EXPENDITURE ARE CURRENTLY APPROACHING \$5 MILLION PER MONTH--I.E. ABOUT 4 CENTS PER BARREL AT LEVELS OF CONSORTIUM OFF-TAKE EXPERIENCED DURING LAST QUARTER OF 1976. HOWEVER, NICO WILL PROBABLY BE UNWILLING TO GRANT FURTHER RELIEF UNTIL OVER-ALL NIOC/CONSORTIUM RELATIONSHIP IS RENEGOTIATED; AND, QUESTION OF RESPONSIBILITY FOR CAPITAL INVESTMENTS WILL BE ONLY PART OF THE LARGE PACKAGE OF ISSUES TO BE SETTLED.

8. DESPITE THE INVESTMENTS BEING MADE IN GAS INJECTION AND DESALTING FACILITIES, TOTAL INSTALLED CAPACITY IN THE KHUZESTAN OIL FIELDS IS NOT EXPECTED TO EXCEED CURRENT LEVEL OF 6.5 MILLION BPD. MOREOVER, OSCO STILL EXPECTS A VERY SLIGHT DECLINE IN PRODUCTIVE CAPACITY TO DEVELOP ABOUT 1980.

9. TEHRAN 202 CONTAINS ADDITIONAL INFORMATION ABOUT OSCO PLANS FOR DEVELOPMENT AND UTILIZATION OF PARS FIELD GAS FOR RE-INJECTION PROGRAM.

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Message Attributes

Automatic Decaptioning: X
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Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977TEHRAN00243
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D770008-1229
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Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 76 STATE 312229
Retention: 0
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Review Media Identifier:
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Review Release Event: n/a
Review Transfer Date:
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Status: NATIVE
Subject: SECONDARY RECOVERY PROGRAM
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To: STATE
Type: TE
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Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009